

UNITED NATIONS
DEVELOPMENT
PROGRAMME



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ENGLISH

APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF
INDONESIA

IPF: (1992-96) \$ 81 384 000

(INS/88/034) - Income Generating Project for Marginal Farmers and Landless

Date of approval by the AC: ^{1/}	28 October 1992
Expected duration:	Five years
Proposed executing agency:	Government
Government implementing agency:	Agency for Agricultural Education & Training (AAET) (Ministry of Agriculture)
Proposed UNDP contribution:	\$ 2 290 500
Government cost sharing:	\$ 1 184 900
Third-party cost sharing:	\$ 1 936 900
Total UNDP budget:	\$ 5 412 300

Project background

Agriculture plays a crucial role in Indonesia's socio-economic development, accounting for 57 per cent of the labour force. The Government of Indonesia's Fifth Five-Year Development Plan (1989 to 1994) continues to place great emphasis on the agricultural sector as a major source of growth; however, the rate of employment growth in this sector has been declining. The average farm size is only 1.05 hectares, and in densely populated Java, which accounts for at least 60 percent of rural households, average farm size is less than 0.5 hectares. There are also large numbers of landless tenant households, estimated at 0.93 million or 5.4 percent of total farm households. Also, about 30 percent of rural households live below the official poverty level.

The above-mentioned project supports the Government's Income Generation Programme for Small Farmers (Proyek Pembinaan Peningkatan Pendapatan Petani Kecil or "P4K") implemented by the Agency for Agricultural Education and Training (AAET) of the Ministry of Agriculture. The P4K Programme is aimed at improving the welfare of the small farmer through income generation strategies and provision of micro-credit through the Small Farmer Group Credit Programme established with a (US) \$10.6 million loan from IFAD and (US) \$2.6 million from Bank Rakyat Indonesia.

In the last three years, the project has been involved in a multitude of advisory and training activities to strengthen AAET's capabilities in the formation of Small Farmer Groups (SFGs) and in providing assistance to these groups in business opportunity identification/selection, preparation of business plans, accessing credit, running a business, obtaining technical know-how, generating contacts and reinvesting savings. As a result, the project has made significant achievements such as: (1) it is operational in over

^{1/} This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.

2,000 villages; (2) 9,250 SFGs formed (on target) with at least ten members each; (3) 30 per cent of these are women's groups (on target); (4) 61 percent have received training; (5) 50 percent of SFGs have prepared business plans; (6) 50 percent have received credit; (7) US\$1.8 million credit has been disbursed; (8) credit arrears are only 0.62 percent; (9) 1,154 SFGs have repaid capital in full; (10) 3,656 local leaders and 2,492 key farmers have participated in the project; (11) 11,839 members of SFGs have joined village cooperatives; (12) 938 staff trained from other ministries, NGOs and training Institutions; and (13) two-way management information systems have been established.

The evaluation mission of July 1992 concluded that the project has brought real economic and social benefits to poor people in rural areas, and that its methodology of bottom-up planning and participatory approaches is well developed. Both the evaluation mission and the TPR meeting of July 1992, recommended a two-year extension of the project in order to ensure that: (i) project results are sustained at both the programme/institutional level of the Government and at the SFG level; (ii) project targets for raising incomes amongst SFG are fully achieved; (iii) the majority of the SFGs undergo the entire cycle of income generating activities provided by the project; and (iv) the project's methodologies are replicated in other areas targeted by the P4K programme.

Description of project

The immediate objectives of the project are to: (a) raise the income of marginal farmers and the poor in rural communities; (b) develop the institutional framework for agricultural extension and credit services; and (c) enhance small farmers' capabilities to avail of the services offered and enable them to pursue income earning opportunities.

Inputs

UNDP will provide a senior technical adviser/monitoring and evaluation adviser (22.5 man-months), a national project coordinator/institutional development adviser (23.5 man-months), a women's enterprise development adviser (12 man-months), five field-level income generating training specialists (48 man-months), one provincial level income-generating activities specialist (12 man-months), a short-term consultancy both international (six man-months) & national (30 man-months); subcontracts with universities and NGOs on information systems audit; training of trainers and training materials; and computer equipment.

Financial data

	\$
Personnel	2 290 500
Subcontract	203 100
Training	1 870 900
Equipment	695 600
Miscellaneous	<u>352 200</u>
Total	<u>5 412 300</u>

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